## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA



Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.	) ) ) ) )	Rulemaking No. 12-06-013 (Filed June 21, 2012)
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# MOTION OF THE CITY OF LANCASTER FOR CONSOLIDATION

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Order Instituting Rulemaking on the Commission's	)	
Own Motion to Conduct a Comprehensive	)	
Examination of Investor Owned Electric Utilities'	)	Rulemaking No. 12-06-013
Residential Rate Structures, the Transition to Time	)	(Filed June 21, 2012)
Varying and Dynamic Rates, and Other Statutory	)	
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### MOTION OF THE CITY OF LANCASTER FOR CONSOLIDATION

In accordance with Rule 11.1 of the Rules of Practice and Procedure of the Public Utilities Commission of the State of California ("Commission"), the City of Lancaster ("Lancaster") hereby submits this motion for consolidation of Application ("A.")16-09-003 and Rulemaking ("R.")12-06-013 (the "Motion"), filed in the above-captioned proceedings.

Lancaster has party status in proceeding A.16-09-003, and this Motion is being filed concurrently with Lancaster's Motion for Party Status in R.12-06-013.

In A.16-09-003, Southern California Edison Company ("SCE") has submitted a proposal to significantly modify the structure of the California Alternate Rates for Energy ("CARE") discount by eliminating the existing Power Charge Indifference Adjustment ("PCIA") exemption for departing load CARE customers ("CARE-PCIA Proposal"). For the reasons set forth below, SCE's CARE-PCIA Proposal falls within the scope of R.12-06-013 and, in addition, is most appropriately addressed in R.12-06-013. As such, Lancaster respectfully requests that the Commission issue a ruling directing SCE to submit its CARE-PCIA Proposal in R.12-06-013 and otherwise direct that consideration of SCE's CARE-PCIA Proposal occur in R.12-06-013. On a related note, Pacific Gas and Electric Company ("PG&E") has advanced a similar PCIA

proposal in A.16-06-013 (phase 2 of PG&E's General Rate Case), proposing to eliminate the PCIA exemption for medical baseline ("MB") customers. For the sake of efficiency, it may also be appropriate to direct that PG&E submit its PCIA proposal in R.12-06-013.

#### I. PROCEDURAL BACKGROUND

In 2013, the California Legislature passed Assembly Bill ("AB") 327, which grants the Commission significant, open-ended authority to reorganize the CARE program, subject to certain specified requirements. The Commission initiated R.12-06-013 on June 28, 2012. The purpose of the rulemaking is to "examine current residential rate design" while "ensur[ing] for the foreseeable future that rates are both equitable and affordable while meeting the Commission's rate and policy objectives for the residential sector. This is especially true in terms of ensuring that low income customers have access to enough electricity to meet their basic needs at an affordable cost."

On October 15, 2015, the Commission issued a Scoping Memo for Phase 3 of R.12-06-013. This Scoping Memo identifies three issues to be covered by R.12-06-013, including "potential changes to the CARE program under Assembly Bill 327." Subsequent rulings have made clear that, consistent with AB 327, the scope of R.12-06-013 has been defined broadly to include all issues related to the structure of the CARE program. For instance, parties have been instructed to identify "studies that would be useful and feasible for evaluating possible CARE discount structures" and "long-term steps and schedule for consideration of CARE

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R.12-06-013, Order Instituting Rulemaking, at 1-2.

<sup>&</sup>lt;sup>2</sup> R.12-06-013 Scoping Memo at 3.

restructuring."<sup>3</sup> In an October 26, 2016 email ruling, assigned administrative law judge ("<u>ALJ</u>") McKinney stated that:

...the potential to restructure the CARE discount is a Phase 3 issue in R1206013. R1206014 has set forth a process that includes gathering and evaluating data on the effectiveness of the current discount structure. In addition, R1206013 is examining the structure of the CARE discount in the context of the entire residential rate structure, including the impact on non-CARE customers.

On September 1, 2016, SCE filed its 2016 Rate Design Window ("RDW") Application, A.16-09-003. Rate Design Window applications are optional filings that allow investor-owned utilities ("IOUs") to revisit rate design issues from their previous General Rate Case ("GRC") Phase II decisions, as well as any rate design issues that have arisen in the time between GRCs. In its 2016 RDW Application, SCE seeks Commission approval of four proposals to modify SCE's rate structure, including a proposal to eliminate the existing PCIA exemption for CARE and MB customers. SCE's CARE-PCIA Proposal falls within the scope of Phase 3 of R.12-06-013 and should be considered in R.12-006-016, as further discussed below.

#### II. DISCUSSION

## A. SCE's Proposal To Eliminate The PCIA Exemption Falls Within The Scope of R.12-06-013

SCE's proposal to eliminate the PCIA exemption for CARE departing load customers relates directly to the structure of the CARE discount, and as such falls within the clearly defined scope of R.12-06-013.

The PCIA exemption is a fundamental part of the CARE protections provided to CARE departing load customers. The PCIA is a non-bypassable charge imposed by IOUs on departing load customers (including Community Choice Aggregation ("CCA") customers). The PCIA, in

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R.12-06-013, Email Ruling Regarding California Alternative Rates for Energy Restructuring Next Steps, April 1, 2016.

theory, allows the IOU to recover the above-market cost of long-term power commitments entered into on behalf of departing load customers. The PCIA is the current incarnation of the Cost Responsibility Surcharge ("CRS"), a surcharge originally intended to recover certain energy-crisis related costs from departing load customers. In Resolution E-3813, the Commission established an exemption to the CRS for CARE customers. The purpose of this exemption was to protect vulnerable CARE customers from "market price disruptions" caused by the energy crisis. Through a gradual process, the Commission modified the CRS's purpose, until it became today's PCIA. Throughout this process, SCE's exemption for CARE departing load customers has remained in place. Today, this exemption still serves its original purpose – protecting vulnerable CARE customers from market price disruptions. Just as the exemption originally protected departing load CARE customers from the disruptions caused by the energy crisis, today the exemption protects the same customers from the market disruptions caused by the IOUs' failure to adequately predict departing load and consequent over-commitment to long-term procurement.

The PCIA exemption is thus a fundamental protection for CARE customers. It protects current departing load customers by ensuring that they are not on the hook for fees caused by market disruptions. It also protects future departing load customers by ensuring that they will not be subject to the PCIA if their community elects to adopt a CCA program. Protecting potential departing load CARE customers is especially important now, given the significant growth in CCA programs expected in the near future in both SCE's territory and California as a whole.

<sup>4</sup> Resolution E-3813 at 36 (Ordering Paragraph 7).

SCE's CARE-PCIA Proposal is also within the scope of R.12-06-013 because it raises significant AB 327 compliance issues. Public Utilities Code Section 739.1(b)(1) provides that in establishing rates for CARE program participants, the Commission must "ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures." Any analysis of whether rates "jeopardize" or "overburden" departing load CARE customers would be incomplete without an analysis of the effect of removing the PCIA exemption.

#### B. SCE's CARE-PCIA Proposal is Best Suited to Consideration in R.12-06-013

In addition to being within the clearly defined scope of R.12-06-013, SCE's CARE-PCIA Proposal is also best suited to consideration in R.12-06-013. SCE's proposal should not be considered in the vacuum of an isolated proceeding, separate from R.12-06-013's holistic consideration of CARE issues. As ALJ McKinney stated in her October 26, 2016 email ruling, R.12-06-013 includes not only the potential restructuring of CARE rates, but also the analysis of CARE in the context of the entire residential rate structure. Especially given the likely growth of CCA programs and the significant impact of the PCIA on large numbers of current and future CCA CARE customers, such a holistic, integrated analysis of CARE rates would be incomplete without the consideration of the impact of SCE's CARE-PCIA Proposal. As the Commission is well aware, rate design issues such as these are highly interconnected. Considering SCE's proposal in A.16-09-003 would leave the Commission's analysis in R.12-06-013 with a significant "blind spot" with regard to the effect of CARE restructuring proposals on CCA CARE customers.

In addition, considerations of efficiency and participation strongly favor the handling of SCE's Proposal in R.12-06-013. Lancaster believes that a number of parties, including communities, ratepayer organizations, and groups dedicated to protecting vulnerable or low-income individuals, may have an interest in SCE's CARE-PCIA Proposal. Many of these parties

are already participants in R.12-06-013. In contrast, few of these parties are involved in A.16-

09-003. Lancaster believes that it is essential to have as many parties as possible engaged in the

discussion surrounding SCE's CARE-PCIA proposal, especially given the proposal's potential

impact on hundreds of thousands of current and future CCA CARE customers. Given the limited

resources and bandwidth of community organizations and ratepayer advocates, it makes far more

sense to include SCE's proposal in a proceeding that many interested organizations are already a

part of than it does to ask those organizations to assume the burden of participating in a second,

separate proceeding. This is especially true given the fact that three of the four issues being

considered in A.16-09-003 have nothing to do with the CARE discount.

#### III. CONCLUSION

Lancaster appreciates the Commission's consideration of the matters addressed herein.

Dated: November 2, 2016 Respectfully submitted,

/s/ Scott Blaising

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